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SUBJECT: AMBASSADOR BREAKS THE ICE IN NORTHERN PROVINCE

11. (SBU) SUMMARY: In the first U.S. ambassadorial visit to the northern province of Santiago del Estero in 22 years on April 6, Ambassador Wayne sent a message that Argentina matters to the United States. Pragmatic Governor Gerardo Zamora seized the opportunity to mobilize key private and public sector actors to display the potential for U.S. investment in the province. The Ambassador reinforced the importance of people-to-people diplomacy as the basis for improving bilateral relations by meeting with foundations for young Argentine leaders and distributing English language scholarships. Zamora privately confirmed reports about increasing drug-trafficking via air into Santiago del Estero but said his government lacks the resources to do anything about it. END SUMMARY.

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BACKGROUND  
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12. (SBU) Santiago del Estero, one of Argentina's poorer provinces, survives mainly on agriculture and has a colorful political background. Peronist strongman Carlos Juarez and his wife Mercedes "Nina" Aragonez ruled the province for approximately 50 years until then-President Nestor Kirchner removed them from power in the wake of a murder scandal. Governor Gerardo Zamora, closely aligned with the Kirchners, was elected in 2005 and re-elected in 2008 with nearly 85 percent of the vote. Zamora has proven to be a pragmatic leader. Throughout President Cristina Fernandez Kirchner's (CFK) conflict with the farm sector, Zamora has tried to preserve good relations with the national government in order to maintain access to national funds for his province's infrastructure projects. Zamora has been one of the few "Radical-K" governors to remain loyal to the government, even after Vice President Cobos (once the pre-eminent "Radical-K" leader) defected via his July 2007 tie-breaking vote in the Senate against CFK's agricultural export tax bill.

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COURTING U.S. INVESTMENT  
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13. (SBU) Zamora's main focus during this visit was to attract U.S. investment to the province by "breaking the ice" and showing openness to cooperation with the U.S. Emphasizing the importance of public-private partnerships for economic growth and development, he gathered the Council of Provincial Development and Promotion for a working lunch with the Ambassador to showcase the province's potential in terms of agriculture, tourism and oil exploration. Zamora explained his government's main priorities include improving the province's infrastructure, as well as the legal security and predictability businesses need to thrive. To address the deficit of industrial production in Santiago del Estero, his government recently passed business-friendly legislation to exempt new investment from provincial taxes for 10 years; and offer a rebate from the provincial government of 50 percent of the interest on new investment-related bank loans and 50 percent of the value of capital improvements. According to the governor, over 50 national and international companies have moved into the province to take advantage of the favorable terms. Projects opening this year include the province's first biodiesel and meat refrigeration

plants. However, basic infrastructure constraints, such as access to potable water persist, aggravated by the shrinking availability of fund transfers to the province from the federal government. (Note: As detailed by the governor, such investment incentives appear to entail large and open-ended provincial budget commitments.)

¶4. (SBU) Ambassador Wayne expressed to Governor Zamora, the foundation of young Argentine leaders, and journalists his interest in getting to know more about the province to potentially create opportunities for U.S. companies to invest, buy, and sell. Santiago del Estero's primary exports include cotton, soy, beef, sweet potato and beans, and the Ambassador suggested agriculture would be the most obvious sector for potential cooperation. One government official explained Zamora is hoping to diversify away from soy production due to the recent tug-of-war with the national government over export taxes. Zamora also encouraged the Ambassador to consider the potential for oil exploration. Two of the 18 oil wells drilled in the 1970s produced oil, but there has been very little exploration activity since despite the fact that the province's oil wells are only 150 kilometers from the more thoroughly explored and exploited Salta province oil wells.

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SECURITY CONCERNS  
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¶5. (SBU) The Ambassador privately asked Zamora about reports that Santiago del Estero was increasingly the preferred site for clandestine aircraft landings, presumably associated with drug trafficking. Planes are quickly unloaded at remote locations, and the drugs distributed to land vehicles for transport south. Zamora confirmed his government is aware that such planes land "all the time" but said the provincial government simply did not have the resources to address the problem.

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PROMOTING PEOPLE-TO-PEOPLE DIPLOMACY  
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¶6. (U) The Ambassador kicked off the other main theme of his visit - the importance of "people-to-people diplomacy" - by delivering a speech on the common agenda between Argentina and the United States to a room packed with young Argentine leaders from the private and public sectors, civil society and the media. His speech outlined our improving bilateral relations, emphasized the need to cooperate to find common solutions to the global financial crisis, and described existing areas of cooperation and exchange at all levels. Several members of the audience had previously benefited from the Department's International Visitor programs. The Ambassador also visited a local bi-national center to award 20 scholarships for English language education to low-income youth. Governor Zamora publicly thanked the Ambassador for preparing Santiago del Estero's youth to succeed and expressed interest in increasing educational ties.

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WHAT IS ON SANTIAGO'S MIND?  
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¶7. (U) The Ambassador's visit received strong press coverage at both the national and provincial level, with features on television, in radio, and in print. Personal interviews with both young and seasoned journalists revealed the pressing questions on the minds of northern Argentina's population. Many were eager to know how soon concrete agreements for economic cooperation and investment between the U.S. and the province would be signed. In the wake of the initiatives announced at the G-20 Summit, people asked the Ambassador how long he guessed the financial crisis would last. Audiences seemed reassured about the steadily improving bilateral relationship under the new U.S. administration, taking the March 27 meeting in Chile between CFK and Vice President Biden and the April 7 meeting in Washington of Secretary Clinton and Foreign Minister Taiana as strong indicators that things are off to a good start. More provocative interviewers asked the Ambassador whether the U.S. now agrees with CFK that the state needs to play a bigger role in regulating the economy. Young private sector and NGO leaders were curious about the potential evolution in U.S. policy on agricultural

subsidies and climate change.

18. (SBU) COMMENT: High-profile visitors are rare in Santiago del Estero. The Ambassador's visit successfully reinforced U.S. interest in working cooperatively with all levels of the Argentine government, as well as in seeking new opportunities for people-to-people diplomacy. While Governor Zamora continues to pursue smooth relations with CFK's government, the Ambassador's visit suggests he is banking on private sector activity as the more reliable driver of economic growth. His provincial government's program to attract economic investment, epitomized by the recent business-friendly legislation, is steps ahead of the national government in this aspect.

WAYNE